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# Joint Legislative Audit and Review Committee (JLARC)

## LEGISLATIVE AUDITOR

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## SENATORS

Brad Benson

Darlene Fairley

Jeanne Kohl-Welles

Bob Oke

Linda Evans Parlette, *Secretary*

Debbie Regala, *Chair*

Pat Thibaudeau

Joseph Zarelli

## REPRESENTATIVES

Gary Alexander, *Vice Chair*

Glenn Anderson

Kathy Haigh

Janéa Holmquist

Ross Hunter, *Asst. Secretary*

Fred Jarrett

Kelli Linville

Deb Wallace

February 8, 2005

## JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE REGULAR COMMITTEE MEETING MINUTES

### COMMITTEE BUSINESS

- Senator Debbie Regala, JLARC Secretary, called the meeting to order at 6:15 p.m. in Senate Hearing Room 4 of the John A. Cherberg Building in Olympia, Washington.
- Senator Regala announced the new members who have been appointed to JLARC: Senator Brad Benson, Representative Linda Evans Parlette, Representative Janéa Holmquist, and Representative Glenn Anderson. The Committee then confirmed the appointments unanimously. Senator Parlette and Representative Holmquist, in attendance at the meeting, introduced themselves.
- Representative Haigh nominated Representative Kelli Linville to fill the remaining vacancy on JLARC. The nomination carried unanimously.
- The Committee then elected new officers for the remainder of the 2003-05 Biennium. Representative Fairley nominated Senator Regala as JLARC Chair; the nomination carried unanimously. Senator Regala chaired the remainder of the meeting. Representative Holmquist nominated Representative Alexander as Vice Chair; Representative Alexander was then elected unanimously. Representative Alexander nominated Senator Parlette for Secretary; Senator Parlette was then elected unanimously. Representative Haigh nominated Representative Hunter for Assistant Secretary; Representative Hunter was then elected unanimously.
- Representative Alexander moved to approve the minutes from the January 5, 2005, JLARC meeting. Motion was seconded and carried unanimously.
- Senator Regala invited Representative Nixon to sit with the members for the duration of the meeting.

### REPORTS, PRESENTATIONS, DISCUSSIONS

#### K-12 SCHOOL BUS BIDDING AND PURCHASING STUDY – REVISED PROPOSED FINAL REPORT

Heather Moss from the JLARC staff presented the revised proposed final report of this mandated study. Staff explained that the change from the report presented to the Committee in January was a slight modification to the study's third recommendation. Staff reminded the Committee that Washington's bus-buying process can be considered in three phases: bidding, purchasing, and paying for the buses. The study found some problems in the third phase in how the state pays school districts for buses. The study recommends making permanent the bidding and purchasing system the Legislature had put in place on a temporary basis in the 2003-05 budget bill and asks the Office of the Superintendent of Public Instruction (OSPI) to examine six promising practices for possible statewide implementation. The revised third recommendation is for the Legislature to consider an array of alternative funding approaches for future school bus purchases if the Legislature wants bus purchase budget levels to be more predictable. Staff provided examples of possible alternative approaches.

Senator Thibodeau noted that a bill has been introduced to require safety belts on school buses and asked if the study looked at costs for such a requirement. She also wondered if there had been any serious accidents as a result of there being no seat belts. Staff replied that the study did not include specific information on the seat belt issue and also clarified that the current bill has this as a requirement for new school bus purchases only. One major cost associated with certain seat belt requirements is retrofitting buses already operating in a fleet.

Representative Alexander acknowledged the presentation Heather had provided recently on this topic to the Washington Association of Pupil Transportation. He asked whether the study identified any more opportunities for standardization that could lead to greater efficiencies in purchasing. Staff noted that the study included a survey to the local school districts regarding the options they chose. The survey found some similarity in what districts buy but not agreement on *why* districts choose them. It would be difficult to do additional statewide standardization to define a "basic bus" beyond what is currently in place.

*Representative Hunter moved to approve for distribution the K-12 School Bus Bidding and Purchasing Study. Motion was seconded and carried unanimously.*

## PERFORMANCE AUDIT OF CAPITAL BUDGET PROCESSES – PROPOSED FINAL REPORT

Karen Barrett and Isabel Muñoz-Colón of the JLARC staff presented the proposed final report of this mandated study. Staff reminded the Committee of the study's focus on major state facility projects, totaling some \$4 billion in capital spending between 1995 and 2004. In assessing the strength of the State's capital budget processes, the study gives a positive review to agency capital planning and execution efforts, but expresses concerns regarding the oversight role of the Office of Financial Management (OFM). The study notes that OFM staff time is weighted heavily toward managing construction allotments – a point in the process where there is much less opportunity to influence major projects – and that OFM's weak management information systems do not support its oversight role well. This study developed two tools to help OFM better manage its workload: a portfolio of major projects, and a set of project performance indicators and benchmarks. The report recommends that OFM, in consultation with fiscal committees and agency capital officers, develop a plan to address weaknesses in oversight; the study identifies the specific issues that this plan should address. The Office of Financial Management concurs with the recommendation.

Senator Kohl-Welles expressed concern about the loss of institutional knowledge identified in the report due to OFM capital analyst turnover. She asked if there is even something informal in place, such as exit interviews. Staff commented that, while there is a long-standing oral tradition of sharing knowledge between OFM and legislative budget staff, this is a handicap. It is difficult for a new OFM analyst to pick up in the middle of a project and learn how it got to its current point. There is lost efficiency in work as a result. Senator Kohl-Welles inquired whether one of the elements identified to be included in the OFM plan was intended to address this issue, and staff indicated that yes, that was the intent.

Representative Jarrett noted the report's focus on OFM and asked if the study found any problems with how the Legislature manages the capital process, for example, problems with the three-stage approval process. Staff responded that they had taken the three-stage process as a given but did ask a consultant to look at potential cost impacts of the time lag that results from this process. While the consultant's review did not rise to the level of a finding, the case studies do show that there is a cost trade-off associated with the time lag.

Representative Wallace asked whether, at the state agency level, people selected as capital project managers were certified as being *managers*. Staff indicated that they did look into certification and licensing. They can confirm that the agencies, including the Department of General Administration, do look for extensive experience in making the management assignment.

Representative Jarrett followed up on this question to ask about project management turnover, with the private sector picking up some of these state project managers. Staff responded that they did find more success in the case studies when there was some way to maintain continuity on a project even when there was a change in project managers.

Senator Regala invited Mike Roberts, Senior Budget Assistant for Capital Budget with the Office of Financial Management, to address the Committee. Mr. Roberts reflected that his job may just be starting as a result of this JLARC project. He noted that the capital budget statutes have been amended in a piecemeal fashion and that it is probably time for a comprehensive look at

them. Responsibilities will need to be clarified on all sides to help align resources and activities. OFM will provide a rough outline of the plan in April and a more complete version by the end of the year, including some cost estimates. It will likely include some information system needs. This should prove to be an interesting process. It is an opportunity to facilitate the capital budget process and provide the Legislature with the information it would like to have.

Senator Regala thanked OFM for its openness to the study recommendation.

*Representative Jarrett moved to approve for distribution the Performance Audit of Capital Budget Processes. Motion was seconded and carried unanimously.*

## ALTERNATIVE LEARNING EXPERIENCE (ALE) PROGRAMS STUDY – INTERIM REPORT

Rob Krell of the JLARC staff presented the Interim Report for this study. The report provides background information on these programs and presents the results of a survey of school districts on the number and type of ALE programs they operate. Its main focus, however, is on those ALE programs that focus on digital and online curriculum. That is because the issues surrounding these programs were considered the most time-sensitive. The issues were originally identified by the State Auditor's Office in its review of the Federal Way Internet Academy but could have impacted other districts operating similar programs. In 2004 the Legislature authorized districts operating these kinds of programs to continue doing so under their current policies until June 30, 2004. The hope was that this study could help resolve the issues. The report includes six recommendations, three linked directly to issues raised in the earlier work by the State Auditor's Office, and three resulting from issues discovered during the research for the report. The final report on all the ALE programs will be presented to the Committee in June.

Representative Wallace mentioned her experience as a parent with a child participating in the program offered by the Evergreen School District in Vancouver. She asked if the study included comparisons of grades of the students in these programs versus those who were not. She would like comparative information included in the final report, if possible. Staff indicated that there was not an express comparison in the interim report but noted that one of the interim report's recommendations is for these programs to adopt some type of self-evaluation component. Staff also noted some of the challenges in making such comparisons, for example, some students opting out of the WASL and the fact that many program participants are considered "at-risk" students. Representative Wallace expressed the concern that many of the students in these programs *are* at-risk students, and the issue is to learn whether these programs are helping them.

Representative Hunter returned to an issue the State Auditor's Office raised about a requirement currently in rule that student FTE equivalency be based on tracking the number of hours that each individual student is engaged in learning activities. The Federal Way Internet academy based justification for funding on course participation and completion. Representative Hunter clarified that, under the current rules, two students might go through the same curriculum at different speeds, but the actual resource expenditure for the school is the same for each student. He asked if the recommendation seeks to address this by defining some appropriate average resource use for each student. Staff indicated that this was correct.

Representative Benson noted that all of the recommendations in this interim report deal with the digital ALE programs and wondered if the final report would deal with the other types of ALE programs. Staff indicated that it would.

Senator Thibaudeau commented on the quality of the NOVA program in Seattle. As part of this discussion, staff clarified that the digital ALE programs are not only for at-risk students. They also include advanced learners.

Representative Hunter observed the study's finding that, while program quality has been a major issue nationally, little actual research has been completed. He indicated that we need to be measuring the quality of these programs and asked if there was a good model out there to do that. Staff responded that several states are trying to accomplish this but have yet to find the best way to do so.

Representative Haigh suggested sharing this interim report with the subcommittee currently working on K-12 funding.

*Representative Haigh moved to approve for distribution the Alternative Learning Experience Programs Interim Report. Motion was seconded and carried unanimously.*

# **GENERAL CONTRACTOR/CONSTRUCTION MANAGER PROCEDURES STUDY – PROPOSED SCOPE AND OBJECTIVES**

Jill Satran and Isabel Muñoz-Colón of the JLARC staff presented the proposed scope and objectives. Staff explained the difference between the traditional design-bid-build and the alternative general contractor/construction manager (GC/CM) approaches to public works contracting. JLARC has been asked to review the use of GC/CM contracting procedures and to analyze the public costs and benefits of this alternative contracting method, the authorization of which is set to expire in June 2007. This study will identify and gather key data on projects and agencies using GC/CM and will use this information to develop a framework for policymakers to use in future decision-making. The preliminary report will be completed in May; the final report, in June.

Representative Alexander indicated he was looking forward to the report, especially with the program termination date approaching. He also noted an additional limitation on use of the GC/CM option is a geographic one, based on a minimum county population size. The Legislature may want to review that limitation when it looks at renewing the GC/CM program.

Representative Nixon returned to a study objective about a comparison to national industry best practices and asked if that would include private as well as public sector projects. Staff made a connection to a best practices review completed for the capital budget study approved earlier in the meeting and indicated that it included both public and private-sector examples. The study also includes interviews with GC/CM users in the private sector.

Representative Haigh asked that the results from the study be expressed in the language of the business world, with specifics such as price per square foot.

Representative Jarrett noted that the Department of Transportation has examined the issue of risk allocation and how projects are impacted through the selection of contracting method. There are a lot of people out there working in transportation that have information about this.

Senator Regala thanked everyone and adjourned the meeting.

## **ATTENDANCE**

JLARC Members Present: Senators Brad Benson, Darlene Fairley, Jeanne Kohl-Welles, Linda Evans Parlette, Debbie Regala, and Pat Thibaudeau; Representatives Gary Alexander, Kathy Haigh, Janéa Holmquist, Ross Hunter, Fred Jarrett, and Deb Wallace.

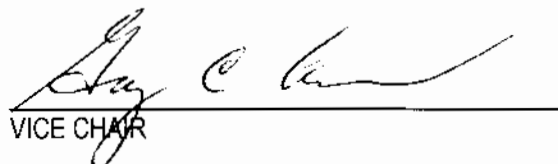
Other Members Present: Representative Toby Nixon.

JLARC Staff Present: Cindi Yates, Legislative Auditor; staff members Karen Barrett, Linda Byers, Deane Campbell, Melania Elias, Keenan Konopaski, Robert Krell, Heather Moss, Isabel Muñoz-Colón, Barbara Neff, Curt Rogers, Jill Satran, and John Woolley.

## **ADJOURNMENT**

The meeting was adjourned at 7:45 p.m.

  
SECRETARY

  
VICE CHAIR